

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7761**

**BILL NUMBER:** HB 1822

**NOTE PREPARED:** Jan 6, 2005

**BILL AMENDED:**

**SUBJECT:** Small Business Regulation.

**FIRST AUTHOR:** Rep. Austin

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill has the following provisions:

(A) It requires an agency that intends to adopt a rule that will impose requirements or costs on small businesses to prepare an economic impact statement for the rule.

(B) It provides that the statement must include a regulatory flexibility analysis that evaluates alternative regulatory methods that could minimize the impact on small businesses.

(C) It requires the agency to:

- (1) publish the statement with the notice of public hearing for the rule; and
- (2) submit the statement and the rule to the Office of Economic Development.

(D) It requires the agency to consider the Office's written comments on the rule before adopting the rule.

(E) It provides that a small business aggrieved by a rule finally adopted by an agency may bring an action to determine whether the agency complied with the requirements concerning small businesses during the rulemaking process.

(F) It provides that before readopting a rule expiring after June 30, 2005, an agency must reevaluate the rule's impact on small businesses.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** The bill would have indeterminable additional administrative cost for an agency adopting or readopting a rule to estimate the economic impact on small business. [Note: Small businesses have 100 or fewer full-time employees and gross annual receipts of \$5,000,000 or less]. The bill may add administrative cost for analysis by the Legislative Services Agency and review by the Office of Economic Development. Also, there are no data available to indicate how many small businesses may be adversely affected by the rule and seek a court determination that the agency adopting the rule acted in compliance with the law.

Under current law, an agency must (1) publish a notice of intent to adopt a rule and (2) estimate the economic impact that compliance with the proposed rule will have on all regulated entities. Under the bill, the agency would have to also prepare an economic impact statement of the effect the proposed rule would have on small business. Included in the economic impact statement is an estimate of the number of small businesses subject to the rule, an estimate of the average annual reporting costs, an estimate of total annual cost of complying with the proposed rule, a statement justifying the requirement or cost imposed, and a regulatory flexibility analysis that considers any less intrusive or less costly alternative.

Under the bill, if the total annual cost of compliance is more than \$500,000, the rule would have to be submitted to the Legislative Services Agency for a fiscal analysis. Additionally, the Office of Economic Development would review all proposed rules and economic impact statements and submit written comments to the agency.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Agencies with rulemaking authority, Legislative Services Agency, the Office of Economic Development.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Karen Firestone, 317-234-2106.